Canopy Growth Stock Falls 13% as Revenue Falls 25% on Lower Sales

Description

Canopy Growth (TSX:WEED)(NASDAQ:CGC) shares fell by 13% on Friday market open, as the company reported shrinking revenue on a year-over-year basis.

- Canopy Growth stock beat earnings estimates of a loss of $0.31, posting a loss of $0.28 per share.
- Net revenue fell 25% in the fourth quarter from the same time in 2021.
- On a full-year basis, Canopy Growth stock reported $520 million in net revenue, down 5% from FY2021.

What happened in Q4 and FY2022 for Canopy Growth stock?

Canopy Growth stock climbed ahead of earnings on Thursday, up 11% at the close of the market. Analysts estimated the cannabis stock would bring in about $129 million in net revenue, yet the stock posted net revenue of $111.8 million for the fourth quarter. This resulted in shares losing all that growth by the time the market opened on Friday.

For the year, the net loss amounted to $320 million, a $1.35 billion improvement from full-year 2021. This came from fair-value changes and lower operating costs that included restructuring. Still, adjusted EBITDA increased to a loss of $122 million due to lower sales in Q4 and a loss of $415 million in FY2022. That was an increase of $75 million from the year before again from lower sales.

What did Canopy Growth management say?

The main goal of Canopy Growth stock remains to become profitable. From that, the company believes its BioSteel brand and further United States expansion will help create that profitability now that so many costs have been cut. It now maintains the number one spot of cannabis edibles in North America.

> “We’ve taken concrete steps to advance this ambition by strengthening our positioning

in Canada, and further bolstering our U.S. THC ecosystem through the addition of two high performance brands in Wana Brands and Jetty Extracts. In the fiscal year ahead, we will remain focused on growing our market share in the key segments that will drive profitable growth and continuing to scale our premium brands across North America."
David Klein, chief executive officer of Canopy Growth

What's next for Canopy Growth stock?

Analysts remain unconvinced about the future of Canopy Growth stock. In fact, even before earnings some analysts stated they hoped to see more cost-cutting initiatives. However, that doesn't seem to have come to fruition.

Instead, it looks like it's back to spending on expanding their edibles brands throughout North America, especially in the United States. But as for the next quarter, it's likely lower sales will continue. Meanwhile, even though it's still operating at a high loss, the company is back to focusing on investments in FY2023.

It looks like investors weren't thrilled by the news with shares dropping immediately at the time of market open. Shares were down 13% at the time of writing and down 41% year to date.

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